

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

WINNSBORO, LOUISIANA

JUNE 30, 2012

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

WINNSBORO, LOUISIANA

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of Northeast Louisiana Workforce Centers, Inc. provides an overview of the Centers' financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Centers' financial statements, which begin on Page 3.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on Pages 3 and 4) provide information about the activities of the Center as a whole. Fund financial statements start on Page 5. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Centers' operations in more detail than the government-wide statements by providing information about the Centers' most significant funds. The accompanying financial statements present information only on the funds maintained by the Center.

Reporting the Funds Maintained by the Center as a Whole

The Statement of Net Assets and the Statement of Activities

These two statements report the Centers' *net assets* and changes in them. The Centers' net assets - the difference between assets and liabilities - is one way to measure the Centers' financial health, or *financial position*. Over time, *increases or decreases* in the Centers' net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we record the activities in the funds maintained by the Center as governmental activities. These governmental activities consist mainly of expenses related to, and resources provided for,

Reporting the Most Significant Funds Maintained by the Center

The fund financial statements provide detailed information about the most significant funds maintained by the Center - not necessarily the Center as a whole. The Centers' funds use the following accounting approaches.

Governmental fund - All of the Centers' expenses in workforce development are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual basis*. The governmental fund statements provide a detailed *short-term view* of the Centers' operations and the expenses paid from the fund. Governmental fund information can help you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Center expenses.

THE FUNDS MAINTAINED BY THE CENTER AS A WHOLE

The Centers' total net assets changed from a year ago, decreasing from \$420,038 to \$292,130. This increase was entirely due to depreciation taken on capital assets acquired in the previous year. Current assets and current liabilities changes were negligible.

Table 1
Net Assets

| | <u>Government-Wide Activities</u> | |
|------------------------------|-----------------------------------|----------------|
| | <u>2012</u> | <u>2011</u> |
| Current assets | 20,200 | 20,286 |
| Capital assets, net | <u>292,130</u> | <u>420,038</u> |
| Total assets | 312,330 | 440,324 |
| Current liabilities | <u>20,200</u> | <u>20,286</u> |
| Total liabilities | 20,200 | 20,286 |
| Net assets: | | |
| Investment in capital assets | <u>292,130</u> | <u>420,038</u> |
| Total net assets | <u>292,130</u> | <u>420,038</u> |

Table 2
Changes in Net Assets

| | <u>Government-Wide Activities</u> | |
|--|-----------------------------------|------------------|
| | <u>2012</u> | <u>2011</u> |
| Revenues | | |
| Federal Grants and other | 946,956 | 375,480 |
| Expenses | | |
| General governmental-workforce development | <u>1,074,864</u> | <u>503,389</u> |
| Increase (decrease) in net assets | <u>(127,908)</u> | <u>(127,909)</u> |

All revenues of the Center are from Federal cost-reimbursement grants, which fund the workforce development program administered by the Center. Therefore, the amount of revenues generated depends upon the amount of program costs (excluding depreciation, but including the cost of capital assets) incurred during the year. Such revenues and costs increased during the year by approximately \$571,000. This increase was mainly attributable to workforce development funds through local Workforce Investment Boards. Because all of the Centers' revenues derive from cost-reimbursement grants, its net assets and changes therein are affected only by the change in its net capital assets.

CAPITAL ASSETS

At the end of 2012, the Center had invested \$292,130 in capital assets, net of accumulated depreciation, from those funds maintained by the Center.

Table 3
Capital Assets at Year End

| | <u>Government-Wide Activities</u> | |
|--------------------------------------|-----------------------------------|----------------|
| | <u>2012</u> | <u>2011</u> |
| Furniture and equipment | 639,541 | 639,541 |
| <u>Less-accumulated depreciation</u> | <u>347,411</u> | <u>219,503</u> |
| | <u>292,130</u> | <u>420,038</u> |

FUTURE OPERATIONS

The Center expects to continue administering Community Based Job Training and Workforce Investment Act grants during fiscal year 2013.

CONTACTING THE CENTERS' FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the finances for those funds maintained by the Center and to show the Centers' accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Northeast Louisiana Workforce Centers, Inc. at 3290 Front Street, Winnsboro, Louisiana 71295.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

February 27, 2013

Northeast Louisiana Workforce Centers, Inc.
Winnsboro, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statement of the governmental activities and each major fund of the Northeast Louisiana Workforce Centers, Inc., as of and for the year ended June 30, 2012, which collectively comprise the Centers' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Northeast Louisiana Workforce Centers, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northeast Louisiana Workforce Centers, Inc. as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the supplementary information on Pages i-iii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 15-17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2013 on our consideration of Northeast Louisiana Workforce Centers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

GOVERNMENT WIDE STATEMENT OF NET ASSETS

JUNE 30, 2012

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| <u>Assets:</u> | |
| Cash | 17,686 |
| Other assets | 2,514 |
| Capital assets, net of accumulated depreciation | <u>292,130</u> |
| Total assets | 312,330 |
| <u>Liabilities:</u> | |
| Payroll liabilities | 8,056 |
| Deferred revenue | <u>12,144</u> |
| Total liabilities | <u>20,200</u> |
| <u>Net assets:</u> | |
| Investment in capital assets, net of debt | <u>292,130</u> |
| Total net assets | <u><u>292,130</u></u> |

The accompanying notes are an integral part of the financial statements.

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Expenses</u> | <u>Program Revenues</u> | <u>Net Revenue (Expense) and Change in Net Assets</u> |
|------------------------------|-----------------|-----------------------------|---|
| <u>Programs</u> | | | |
| Workforce development | <u>946,956</u> | <u>946,956</u> | <u>-</u> |
| | <u>946,956</u> | <u>946,956</u> | <u>-</u> |
| <u>General expense</u> | | | |
| Depreciation | | | <u>127,908</u> |
| Change in net assets | | | (127,908) |
| Net assets-beginning of year | | | <u>420,038</u> |
| Net assets-end of year | | | <u>292,130</u> |

The accompanying notes are an integral part of the financial statements.

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

BALANCE SHEET-GOVERNMENTAL FUNDS

JUNE 30, 2012

| <u>A S S E T S</u> | <u>Workforce Investment Act</u> | <u>Community Based Job Training</u> | <u>Total</u> |
|--|---|---|----------------|
| Cash | 17,686 | - | 17,686 |
| Other assets | <u>-</u> | <u>2,514</u> | <u>2,514</u> |
| Total assets | <u>17,686</u> | <u>2,514</u> | <u>20,200</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>Liabilities:</u> | | | |
| Payroll liabilities | 8,056 | - | 8,056 |
| Deferred revenue | <u>9,630</u> | <u>2,514</u> | <u>12,144</u> |
| Total liabilities | 17,686 | 2,514 | 20,200 |
| Fund balances | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>17,686</u> | <u>2,514</u> | <u>20,200</u> |
| Total fund balances | | | - |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds | | | |
| | | | <u>292,130</u> |
| Net assets of governmental activities | | | <u>292,130</u> |

The accompanying notes are an integral part of the financial statements.

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Workforce Investment Act</u> | <u>Community Based Job Training</u> | <u>Health Profession Opportunity Grant</u> | <u>Total</u> |
|---|---|---|--|----------------|
| <u>Revenues:</u> | | | | |
| Federal grants | <u>475,855</u> | <u>337,566</u> | <u>133,535</u> | <u>946,956</u> |
| Total revenues | <u>475,855</u> | <u>337,566</u> | <u>133,535</u> | <u>946,956</u> |
| <u>Expenses:</u> | | | | |
| Program costs | <u>475,855</u> | <u>337,566</u> | <u>133,535</u> | <u>946,956</u> |
| Total expenses | <u>475,855</u> | <u>337,566</u> | <u>133,535</u> | <u>946,956</u> |
| <u>Excess of revenues over expenses</u> | - | - | - | - |
| <u>Fund balances at beginning of year</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Fund balances at end of year</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Excess of revenues over expenses-total governmental funds

-

Governmental funds report capital outlays as expenses. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$127,908) exceeds capital outlay (\$0-)

(127,908)

Change in net assets of governmental activities

(127,908)

The accompanying notes are an integral part of the financial statements.

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

1. Summary of Significant Accounting Policies

Northeast Louisiana Workforce Centers, Inc. is a nonprofit organization that was formed in 2000 to generally help support the staffing of services under the Workforce Investment system in Service Delivery Area 83. As part of that mission, it administers funding provided by the United States Department of Labor for Community Based Job Training Grants.

Although organized as a nonprofit organization, the Center follows governmental reporting standards, as set by the Governmental Accounting Standards Board, because its board members are appointed by a member of local government.

The Center is a component unit of Workforce Investment Board SDA-83, Inc. because it is fiscally dependent upon the Board.

a. Presentation of Statements:

The Centers' statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The Center has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds; however, the Center has chosen not to do so because it does not have any business-type activities or enterprise funds. The more significant accounting policies established in GAAP and used by the Center are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) adopted Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Centers' overall financial position and results of operations.
- Governmental-Wide Financial statements prepared using full accrual accounting for all of the Centers' activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

1. Summary of Significant Accounting Policies (Continued)

b. Basic Financial Statements - Government-Wide Statements:

The Centers' basic financial statements include both Government-Wide (reporting the Center as a whole) and fund financial statements (reporting the Centers' major funds). Both the Government-Wide and Fund Financial Statements categorize primary activities as either governmental or business type. The Centers' functions and programs have been classified as governmental activities. The Center does not have any business-type activities. Accordingly, the Government-Wide financial statements do not include any of these activities or funds.

In the Government-Wide Statement of Net Assets, the governmental type activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Centers' net assets are reported in three parts (if applicable) - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Unrestricted net assets include all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-Wide Statement of Activities reports both the gross and net cost of each of the Centers' functions and significant programs. The Statement of Activities begins by presenting expenses, and then reduces the expenses by related program revenues, such as operating grants, to derive the net cost of each function or program. The net cost of all programs is then reduced by depreciation expense. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating-specific grants.

The Center allocates its indirect costs among various functions and programs in accordance with OMB Circular A-87.

The Government-Wide Statements focus upon the Centers' ability to sustain operations and the change in its net assets resulting from the current year's activities.

c. Basic Financial Statements - Fund Financial Statements:

The financial transactions of the Center are reported in individual funds in the Fund Financial Statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

1. Summary of Significant Accounting Policies (Continued)

The Center uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Center or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type.

The assets, liabilities, and fund balances of the Center are reported in self-balancing special revenue fund groups as follows:

Major Special Revenue Funds

Workforce Investment Act

This fund group accounts for resources provided to Northeast Louisiana Workforce Centers, Inc. through Workforce Investment Board SDA-82 and SDA-83 by the Louisiana Workforce Commission. These resources are used to help prepare workers for good jobs through programs under the Workforce Investment Act.

Community Based Job Training

This fund accounts for funds provided to Northeast Louisiana Workforce Centers, Inc. through the Community Based Job Training Grant. These funds are used to support a combination of capacity building and training activities to help Louisiana Delta College train individuals in advanced manufacturing, a high growth/high demand industry.

Health Profession Opportunity Grant

This fund group accounts for resources used to provide education and training to prepare low-income individuals for employment in the healthcare field. These resources also are provided through Workforce Investment Board SDA-82 and SDA-83.

d. Measurement Focus and Basis of Accounting:

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

i. Accrual Basis - Government-Wide Financial Statements (GWFS):

The Statement of Net Assets and the Statement of Activities display information about the Center as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

1. Summary of Significant Accounting Policies (Continued)

ii. Modified Accrual Basis - Fund Financial Statements (FFS):

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Center considers all revenues "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred.

e. Budgets:

Revenue and expense of Northeast Louisiana Workforce Centers, Inc. consist entirely of Federal grant funds. These funds are accounted for in various special revenue funds according to the program or the function of the grant. Such grants cover multiple fiscal years, and are budgeted for on that basis. As a result, the Center has no annual, legally adopted budget; consequently, no budgetary comparison schedules are presented in this report.

f. Capital Assets:

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets that have been purchased or acquired with an original cost of at least \$250 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the Government-Wide Statement of Net Assets. In contrast, in the Fund Financial Statements, capital assets are recorded as expenditures of the fund that provided the resources to acquire the asset. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

For capital assets recorded in the Government-Wide Financial Statements, depreciation is computed and recorded using the straight-line method for the asset's estimated useful life. The estimated useful lives of the various classes of depreciable capital assets are as follows:

| | |
|-------------------------|-----------|
| Furniture and equipment | 3-7 years |
|-------------------------|-----------|

Salvage values have not been estimated by management when calculating how much of an asset's cost needs to be depreciated except for vehicles.

Depreciation is not computed or recorded on capital assets for purposes of the Fund Financial Statements.

g. Cash and Cash Equivalents:

Cash includes amounts in demand deposits and petty cash.

1. Summary of Significant Accounting Policies (Continued)

At June 30, 2012, the Center had cash (book balances) as follows:

| | |
|-----------------|---------------|
| Demand deposits | <u>17,686</u> |
|-----------------|---------------|

Cash (bank balances) at June 30, 2012, were secured as follows:

| | |
|---------------|---------------|
| Bank balances | <u>20,630</u> |
|---------------|---------------|

| | |
|---------------------------|---------|
| Federal deposit insurance | 250,000 |
|---------------------------|---------|

| | |
|---------------|---------------|
| Total secured | <u>20,630</u> |
|---------------|---------------|

| | |
|-----------------|----------------|
| Excess security | <u>229,370</u> |
|-----------------|----------------|

It is the policy of the Center to require that fiscal agent banks pledge securities to cover bank deposits in excess of federal deposit insurance. The pledged securities are the market value of investment debt securities held by a custodial bank in the name of the fiscal agent bank, rather than in the name of the Center. However, the fiscal agent bank receives authorization from the Center before pledged securities are released.

h. Accrued Compensated Absences:

Employees of Northeast Louisiana Workforce Centers, Inc. earn from 12 to 25 days of annual leave each year, depending on length of service. There is no limit to the amount of days of annual leave that may be accumulated. Employees who have been employed for more than six months will be paid for accumulated annual leave up to 50 days upon termination of employment.

Employees earn 12 days of sick leave each year. Unused sick leave may be accumulated to a maximum of 80 days. Employees are not paid for accumulated sick leave upon termination of employment.

At June 30, 2012, employees have no significant accumulated and vested leave benefits. The cost of leave privileges is recognized as a current-year expense when the leave is earned.

i. Prepaid Expenses:

Expenditures for insurance and other items that extend over more than one accounting period are expensed as incurred.

j. Interfund Activity:

Loans between funds are reported as interfund receivables and payables, and are subject to elimination upon consolidation.

k. Allocation of Indirect Expenses:

The Center reports all direct expenses by function and programs of functions in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function or program. Indirect expenses are allocated to the various functions based primarily on relative personnel time.

1. Summary of Significant Accounting Policies (Continued)

l. Management's Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

m. Deferred Revenues:

The Center reports deferred revenues on its Statements of Net Assets and on the balance sheet of the Fund Financial Statements. Deferred revenues arise when the Center receives resources before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In subsequent periods, when the Center has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

2. Deferred Compensation Plan

Northeast Louisiana Workforce Centers, Inc. offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All employees of the Center are eligible to participate in the Master Deferred Compensation Plan for Planning and Economic Development Organizations. Employees may defer up to 6% of their gross salary until future years which the Center will match as an employer contribution. They may also elect to defer additional amounts, which will not be matched by the Center. Employer's contributions to the plan for the year ended June 30, 2012, totaled approximately \$22,000.

The Center does not administer the plan or maintain custody of plan assets. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Center (without being restricted to the provisions of benefits under the plan), not subject to the claims of the Centers' general creditors. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. Deferred compensation amounts are administered and invested in debt mutual funds by a professional trustee. It is the Centers' opinion that the Plan does not meet the requirements for inclusion as an employee benefit trust fund.

3. Leases

The Center leases its facilities space and certain equipment under agreements that have expiration dates on monthly or an annual basis. Rent expense under all leases totaled approximately \$27,000 for the year ended June 30, 2012. Future minimum rentals as of June 30, 2012 are as follows:

| | |
|---------------|----------------|
| June 30, 2013 | 37,608 |
| June 30, 2014 | 37,608 |
| June 30, 2015 | 37,608 |
| June 30, 2016 | 32,907 |
| June 30, 2017 | - |
| Thereafter | - |
| | <u>145,731</u> |

4. Third Party Reimbursements

The Center receives all of its funding from third party reimbursements under grants with the U.S. Department of Labor for services provided as described in Note 1. In order to receive funding, the Center must comply with grant provisions.

5. Income Tax Status

As a nonprofit, privately supported organization, Northeast Louisiana Workforce Centers, Inc. is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but is subject to annual filing requirements with the Internal Revenue Service that includes information on its financial operations. The Center is required to review various tax positions it has taken with respect to its exempt status and determining whether in fact it continues to qualify as a tax-exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax-exempt entity, the Center must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Center does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Centers' accounting records.

Northeast Louisiana Workforce Centers, Inc. is subject to the filing requirements of U.S. federal Form 990, and remains subject to examination by the Internal Revenue Service for the tax fiscal years 2008 and beyond.

6. Fair Values of Financial Instruments

The Centers' financial instruments consist of cash, receivables, and current payables. Because such instruments are generally short-term in nature, their market values approximate their book values.

7. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the year that exceeded the Centers' insurance coverage.

8. Board of Directors' Compensation

The Board of Directors is a voluntary board; therefore, no compensation is paid to any member. However, board members are reimbursed for any necessary out-of-town travel expenses incurred.

9. Federally Assisted Programs

The Centers' program is a federally assisted one. This program is audited in accordance with the Single Audit Act, as amended in 1996. Audits of prior years have not resulted in any disallowed costs; however, the grantor agency may provide for further examinations. Based on prior experience, the Centers' management believes that further examinations would not result in any significant disallowed costs.

In accordance with the Single Audit Act, as amended in 1996, and the Office of Management and Budget Circular A-133 (revised), a schedule of expenditures of federal awards is presented in the supplementary financial information portion of this report.

10. Economic Dependency

The Center receives all of its revenue from funds provided through grants administered by the federal government. The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of the funds the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

11. Changes in Capital Assets

A summary of changes in capital assets is as follows:

| | Balance <u>6-30-11</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>6-30-12</u> |
|--------------------------------|---------------------------|------------------|------------------|---------------------------|
| General fixed assets, at cost: | | | | |
| Furniture and equipment | <u>639,541</u> | <u>-</u> | <u>-</u> | <u>639,541</u> |
| | 639,541 | - | - | 639,541 |
| Accumulated depreciation | <u>219,503</u> | <u>127,908</u> | <u>-</u> | <u>347,411</u> |
| Net capital assets | <u>420,038</u> | <u>(127,908)</u> | <u>-</u> | <u>292,130</u> |

12. Changes in Compensated Absences

The following is a summary of transactions relating to the Centers' accrued compensated absences during the year.

| | Balance <u>6-30-11</u> | <u>Decrease</u> | Balance <u>6-30-12</u> |
|------------------------------|---------------------------|-----------------|---------------------------|
| Accrued compensated absences | <u>6,495</u> | <u>(6,495)</u> | <u>-</u> |

SUPPLEMENTARY FINANCIAL INFORMATION

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

SCHEDULE OF EXPENSES, OBJECT BASIS

SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

Expenses:

| | |
|-------------------------------|----------------|
| Contract payments | 197,642 |
| Equipment maintenance | 4,005 |
| Insurance-liability | 5,102 |
| Janitorial | 5,403 |
| Office supplies | 4,516 |
| Other operating expenses | 4,559 |
| Rentals and leases | 26,969 |
| Salaries and related benefits | 661,312 |
| Telephone | 20,005 |
| Travel and meetings | 6,156 |
| Utilities | <u>11,287</u> |
| Total expenses | <u>946,956</u> |

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

| <u>Federal Grantor/ Pass-Through Grantor Name/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> |
|--|------------------------------------|-------------------------------|---------------------|
| United States Department of Labor: | | | |
| Community-Based Job Training Grant | 17.269 | 337,566 | 337,566 |
| Passed through Louisiana Department of Labor: | | | |
| Passed through Workforce Investment Board SDA-83: | | | |
| Workforce Investment Act-Adult Program | 17.258 | 40,191 | 40,191 |
| Workforce Investment Act-Youth Activities | 17.259 | 115,878 | 115,878 |
| Workforce Investment Act-Dislocated Workers | 17.278 | 31,296 | 31,296 |
| ARRA-Workforce Investment Act-National Emergency OJT Grant | 17.277 | <u>43,748</u> | <u>43,748</u> |
| | | 231,113 | 231,113 |
| Passed through Workforce Investment Board SDA-82: | | | |
| Workforce Investment Act-Adult Program | 17.258 | 75,930 | 75,930 |
| Workforce Investment Act-Youth Activities | 17.259 | 103,037 | 103,037 |
| Workforce Investment Act-Dislocated Workers | 17.278 | <u>65,775</u> | <u>65,775</u> |
| | | <u>244,742</u> | <u>244,742</u> |
| Total Employment Services | | <u>475,855</u> | <u>475,855</u> |
| Total U.S. Department of Labor | | 813,421 | 813,421 |
| United States Department of Health and Human Services: | | | |
| Health Profession Opportunity Grant | 93.093 | <u>133,535</u> | <u>133,535</u> |
| Total Federal Awards | | <u>946,956</u> | <u>946,956</u> |

The accompanying note is an integral part of this schedule.

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northeast Louisiana Workforce Centers, Inc. and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Northeast Louisiana Workforce Centers, Inc. did not expend any federal awards in the form of noncash assistance during the fiscal year.

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

February 27, 2013

Northeast Louisiana Workforce Centers, Inc.
Winnsboro, Louisiana

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

We have audited the financial statements of the governmental activities and each major fund of the Northeast Louisiana Workforce Centers, Inc., as of and for the year ended June 30, 2012, and have issued our report thereon dated February 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Centers' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Centers' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Centers' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Northeast Louisiana Workforce Centers, Inc. are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance, which is reported as item 12-01 in the accompanying Schedule of Findings and Questioned Costs.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

This report is intended for the information and use of the board of directors, management, federal awarding agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

February 27, 2013

Northeast Louisiana Workforce Centers, Inc.
Winnsboro, Louisiana

Report on Compliance with Requirements that Could Have a Direct and
Material Effect on Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Northeast Louisiana Workforce Centers, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2012. Northeast Louisiana Workforce Centers, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northeast Louisiana Workforce Centers, Inc.'s management. Our responsibility is to express an opinion on Northeast Louisiana Workforce Centers, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Louisiana Workforce Centers, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northeast Louisiana Workforce Centers, Inc.'s compliance with those requirements.

In our opinion, Northeast Louisiana Workforce Centers, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Northeast Louisiana Workforce Centers, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Northeast Louisiana Workforce Centers, Inc.
2. No significant control deficiencies relating to the audit of the basic financial statements are reported.
3. One instance of noncompliance was disclosed during the audit.
4. The auditor's report on compliance for the major federal awards for Northeast Louisiana Workforce Centers, Inc. expresses an unqualified opinion.
5. There were no audit findings relative to major federal award programs for Northeast Louisiana Workforce Centers, Inc.
6. The programs tested as major programs included:

| <u>Program</u> | <u>CFDA No.</u> |
|---|-----------------|
| Workforce Investment Act-Adult Program | 17.258 |
| Workforce Investment Act-Youth Activities | 17.259 |
| Workforce Investment Act-Dislocated Workers | 17.278 |
| Health Profession Opportunity Grant | 93.093 |

7. The threshold for distinguishing Type A and B programs was \$300,000.
8. Northeast Louisiana Workforce Centers was determined to not be a low-risk auditee.

B. Findings - Financial Statement Audit

12-01 – Late Filing with Louisiana Legislative Auditor

Condition:

Northeast Louisiana Workforce Centers, Inc. was not aware that it was required to have an audit of its financial statements until late in the 2012 calendar year. Although an auditor was subsequently engaged, the audited financial statements could not be issued by December 31, 2012.

Criteria:

Louisiana audit law, codified as La. RS 24:513, requires those entities to which it applies to undergo an audit of its financial statements, and to submit a copy of the audit package to the Louisiana Legislative Auditor within six months of the end of its fiscal year.

Effect:

Northeast Louisiana Workforce Centers, Inc. was unable to comply with state law.

Recommendation:

We recommend that the Centers be aware of the applicability of the audit law, make a determination as to the need for a financial statement audit by the end of its fiscal year, and make suitable arrangements for the audit that will meet the requirements of the law.

Management Response:

We agree with the recommendation, and will implement the necessary procedure.

C. Findings and Questioned Costs - Major Federal Award Programs

None

NORTHEAST LOUISIANA WORKFORCE CENTERS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2012

No findings were reported as a result of the prior year's audit.